

Message Text

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PAGE 01 REYKJA 00251 171907Z
ACTION EUR-12

INFO OCT-01 ISO-00 SP-02 USIA-06 AID-05 EB-08 NSC-05
TRSE-00 SS-15 STR-07 OMB-01 CEA-01 CIAE-00
COME-00 FRB-03 INR-10 NSAE-00 XMB-02 OPIC-03
LAB-04 SIL-01 L-03 H-01 PA-01 /091 W
-----076196 171946Z /43

P R 171640Z FEB 78
FM AMEMBASSY REYKJAVIK
TO SECSTATE WASHDC PRIORITY 8166
INFO AMEMBASSY COPENHAGEN
AMEMBASSY HELSINKI
AMEMBASSY OSLO
AMEMBASSY PARIS
AMEMBASSY STOCKHOLM
COMICEDEFOR
CINCLANT
CINCEUR

LIMITED OFFICIAL USE REYKJAVIK 0251

E.O. 11652: N/A
TAGS: PGOV, EFIN, IC
SUBJECT: ECONOMIC PACKAGE PASSED WITH REVISION

REF: (A) REYKJAVIK 0239 (DTG 161550Z FEB 78); (B) REYKJAVIK
0214 (DTG 101814Z FEB 78)

1. DURING LATE EVENING SESSION FEBRUARY 16, PARLIAMENT PASSED
GOI ECONOMIC PACKAGE INTO LAW AFTER DELETING PROVISION WHICH
WOULD HAVE REMOVED EFFECT OF INDIRECT TAXES FROM THE COST OF
LIVING INDEX USED TO FIX AMOUNT OF WAGE INCREASES. DELETION WAS
SUGGESTED BY PRIME MINISTER GEIR HALLGRIMSSON APPARENTLY AS
CONCESSION TO LABOR ORGANIZATIONS WHICH HAD STRONGLY OPPOSED NEW
GOI MEASURES. DELETION OF INDIRECT TAX SECTION WILL HAVE LITTLE
EFFECT ON IMMEDIATE IMPACT OF MEASURES SINCE PROVISION WOULD
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NOT HAVE GONE INTO FORCE UNTIL JANUARY 1, 1979. REMAINING
PROVISIONS IN LAW AS PASSED EFFECTIVE IMMEDIATELY.

2. IMMEDIATE REACTION BY FEDERATION OF LABOR TO THE
NEW LAW WAS STILL HIGHLY NEGATIVE. CHAIRMAN BJORN
JONSSON SAID DELETION OF INDIRECT TAX MEASURE FROM BILL
MADE NO DIFFERENCE AS FAR AS LABOR WAS CONCERNED. HE

NOTED THAT HE WOULD CONTINUE TO ENCOURAGE UNIONS TO RENOUNCE JULY 77 WAGE AGREEMENTS AND REITERATED HIS EARLY STATEMENT THAT UNSPECIFIED ACTION WILL BE BE TAKEN MARCH 1 BY LABOR MOVEMENT IF WORKERS DO NOT RECEIVE FULL INDEXATION DUE ON THAT DATE.

3. PRESENT INDICATIONS ARE INDUSTRIAL WORKERS CONSIDERING STAGING SERIES OF BRIEF STRIKES, SOME OF WHICH MAY BE ILLEGAL DUE TO REQUIRED ADVANCE NOTICE PROVISIONS OF JULY AGREEMENT.

4. FOR MOMENT AT LEAST, PARALLEL STRIKE ACTION BY GOVERNMENT EMPLOYEES APPEARS A BIT MORE REMOTE. TERMS OF OCTOBER 1977 AGREEMENT WITH GOVERNMENT WORKERS RULE OUT ANY STRIKE ACTION UNTIL AGREEMENT EXPIRES IN JULY 1979.
BLAKE

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NNN

Message Attributes

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Disposition Approved on Date:
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Secure: OPEN
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TAGS: PGOV, EFIN, IC
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